CIPS

L6M5
Strategic Programme Leadership

Questions & Answers PDF

Latest Version: 6.0

Question: 1

Glitter Kitten Ltd is a leading manufacturer of cat food and is currently looking into expanding its operations into new markets. The CEO has committed to providing the funds for expansion and he has commissioned a financial appraisal of two different options. The Senior Leadership team are currently reviewing the Net Present Values of each option.
The CEO is getting frustrated with the length of time the Senior Leadership are taking in their appraisals so has done a quick analysis using the payback method. The second option, to expand into making dog food, produced the best results, which are based on an estimated total outflow of £50m and annual inflows of £10m.
The CEO is also looking into methods for improving current products. He has assembled a Project Team of researchers who is looking into their current range of cat food, taking particular notice of customer opinions and reviews. The goal is to, based on this research, investigate opportunities within the supply chain to enhance the quality of the product, as well as potentially reducing the costs of manufacturing.
Raw materials for Glitter Kitten's most popular cat food will soon be provided by Paw Ltd who is a new supplier. The contract is still under negotiation and is expected to last for the next 3 years. The CEO is keen to have visibility over Paw Ltd's costs and profit margin.
5. Which of the following pricing mechanisms is most suitable for use with Paw Ltd?

A. open book costing
B. cost reimbursable contract
C. bottom up pricing
D. activity based costing

Answer: A

Explanation:
The correct answer is 1 – Open-Book costing as the CEO wants to have visibility over the supplier's costs and profits. LO 2.1

Question: 2

XYZ is a large construction organisation which is currently running five different projects. Below are details of each project including the type of contract and pricing mechanism used.
Project 1: This project is to build an apartment block and the company has responsibility for designing and constructing the building. Upon completion, ownership will pass to the client. Management have decided the pricing based on past experience of similar projects.
Project 2: The company will provide the facilities management to the building for 6 years following the completion of the construction work. Due to volatility in the industry, the budget is changing continuously over the years.

Project 3: XYZ has been involved in the project since an early stage, but does not hold the design risk for the construction of the building. The budget starts afresh at the beginning of each new accounting period.
Project 4: XYZ is responsible for the design and build of certain aspects of the construction. However, the client has also employed another company for other aspects. The client will take ownership from all companies involved upon completion. XYZ is paid when milestones are completed during the building phase.
Project 5: This is the construction of a new toll bridge which will be operated by XYZ for the first 6 years post construction. Pricing is based on the costs of raw materials and labour and a profit is added on top of this.
Complete the table below by listing the type of contract and pricing mechanism being used for each project; design and operate, design build operate and ownership, public private partnership, full turnkey, partial turnkey, management contracting, bottom up, top down, rolling, fixed fee, zero, activity.
Which of the following will you put into box 1?

	Contract	Pricing Mechanism
Project 1	1	6
Project 2	2	7
Project 3	3	8
Project 4	4	9
Project 5	5	10

A. design and operate
B. design build operate and ownership
C. public private partnership
D. full turnkey
E. partial turnkey
F. management contracting

Answer: D

Explanation:
I know what you're thinking- some of these options weren't covered in the study guide. And yes, you're correct. This particular question is based on a known exam question and CIPS do sometimes have questions in their exams which aren't explained in the book, or which are mentioned very briefly. I know it's frustrating and if you get a question like this that isn't covered well in the study guide, please do contact CIPS and complain. I've included this as a question in my practice papers because you may get a similar question in your exam and I want you to be prepared. The answers are as follows:
Types of contracts – this is from LO 1.1
1) Full Turnkey – mentioned briefly on p. 8 – a turnkey project is when the contractor assumes responsibility for the design and build and then hands over the key to the client when the construction is done. Think about it as when the key gets turned in the front door for the first time- it's turned by the new owner after the contractor has finished all their work.
2) Design and Operate – XYZ are going to operate the building (providing the FM) for six years after the construction. This is not to be confused with design build operate and ownership. XYZ won't OWN the building after the construction, they'll just be operating the FM of it for a while on behalf of the client. DBOO is the answer to #5. (p.21)

3) Management Contracting- XYZ doesn’t hold the design risk- that’s your clue for this question (p.14)
4) Partial Turnkey- the clue here is that other companies are doing other parts of the construction. Partial turnkey isn’t mentioned in the study guide at all. You have to kind of guess this one from the options left. Don’t worry about this too much as you won’t get complicated questions on turnkey projects but you can check out this youtube video as it may help: Turnkey Construction Projects Introduction - YouTube
5) Design Build Operate and Ownership. It’s really tricky to know which of project 2 and 5 included the ownership, and you do have to ‘read between the lines’. In project 2 XYZ are only providing the Facilities Management (cleaning, security etc) so it’s clear they don’t OWN the building after construction- they’re just working there. In Project 5 the bridge is being operated for 6 years. This assumes that XYZ are doing everything for this bridge, including collecting the profits from the tolls for 6 years. Thus implying ownership.
Answer not used: Public Private Partnership. You can discount PPP quite easily as none of the projects mention the client being a public sector organisation.

Question: 3

XYZ is a large construction organisation which is currently running five different projects. Below are details of each project including the type of contract and pricing mechanism used.
Project 1: This project is to build an apartment block and the company has responsibility for designing and constructing the building. Upon completion, ownership will pass to the client. Management have decided the pricing based on past experience of similar projects.
Project 2: The company will provide the facilities management to the building for 6 years following the completion of the construction work. Due to volatility in the industry, the budget is changing continuously over the years.
Project 3: XYZ has been involved in the project since an early stage, but does not hold the design risk for the construction of the building. The budget starts afresh at the beginning of each new accounting period.
Project 4: XYZ is responsible for the design and build of certain aspects of the construction. However, the client has also employed another company for other aspects. The client will take ownership from all companies involved upon completion. XYZ is paid when milestones are completed during the building phase.
Project 5: This is the construction of a new toll bridge which will be operated by XYZ for the first 6 years post construction. Pricing is based on the costs of raw materials and labour and a profit is added on top of this.
Complete the table below by listing the type of contract and pricing mechanism being used for each project; design and operate, design build operate and ownership, public private partnership, full turnkey, partial turnkey, management contracting, bottom up, top down, rolling, fixed fee, zero, activity.
Which of the following will you put into box 2?

	Contract	Pricing Mechanism
Project 1	1	6
Project 2	2	7
Project 3	3	8
Project 4	4	9
Project 5	5	10

A. design and operate
B. design build operate and ownership
C. public private partnership
D. full turnkey
E. partial turnkey
F. management contracting

Answer: A

Explanation:
I know what you're thinking- some of these options weren't covered in the study guide. And yes, you're correct. This particular question is based on a known exam question and CIPS do sometimes have questions in their exams which aren't explained in the book, or which are mentioned very briefly. I know it's frustrating and if you get a question like this that isn't covered well in the study guide, please do contact CIPS and complain. I've included this as a question in my practice papers because you may get a similar question in your exam and I want you to be prepared. The answers are as follows:
Types of contracts – this is from LO 1.1
1) Full Turnkey – mentioned briefly on p. 8 – a turnkey project is when the contractor assumes responsibility for the design and build and then hands over the key to the client when the construction is done. Think about it as when the key gets turned in the front door for the first time- it's turned by the new owner after the contractor has finished all their work.
2) Design and Operate – XYZ are going to operate the building (providing the FM) for six years after the construction. This is not to be confused with design build operate and ownership. XYZ won't OWN the building after the construction, they'll just be operating the FM of it for a while on behalf of the client. DBOO is the answer to #5. (p.21)
3) Management Contracting- XYZ doesn't hold the design risk- that's your clue for this question (p.14)
4) Partial Turnkey- the clue here is that other companies are doing other parts of the construction. Partial turnkey isn't mentioned in the study guide at all. You have to kind of guess this one from the options left. Don't worry about this too much as you won't get complicated questions on turnkey projects but you can check out this youtube video as it may help: Turnkey Construction Projects Introduction - YouTube
5) Design Build Operate and Ownership. It's really tricky to know which of project 2 and 5 included the ownership, and you do have to 'read between the lines'. In project 2 XYZ are only providing the Facilities Management (cleaning, security etc) so it's clear they don't OWN the building after construction- they're just working there. In Project 5 the bridge is being operated for 6 years. This assumes that XYZ are doing everything for this bridge, including collecting the profits from the tolls for 6 years. Thus implying ownership.
Answer not used: Public Private Partnership. You can discount PPP quite easily as none of the projects mention the client being a public sector organisation.

Question: 4

XYZ is a large construction organisation which is currently running five different projects. Below are details of each project including the type of contract and pricing mechanism used.

Project 1: This project is to build an apartment block and the company has responsibility for designing and constructing the building. Upon completion, ownership will pass to the client. Management have decided the pricing based on past experience of similar projects.
Project 2: The company will provide the facilities management to the building for 6 years following the completion of the construction work. Due to volatility in the industry, the budget is changing continuously over the years.
Project 3: XYZ has been involved in the project since an early stage, but does not hold the design risk for the construction of the building. The budget starts afresh at the beginning of each new accounting period.
Project 4: XYZ is responsible for the design and build of certain aspects of the construction. However, the client has also employed another company for other aspects. The client will take ownership from all companies involved upon completion. XYZ is paid when milestones are completed during the building phase.
Project 5: This is the construction of a new toll bridge which will be operated by XYZ for the first 6 years post construction. Pricing is based on the costs of raw materials and labour and a profit is added on top of this.
Complete the table below by listing the type of contract and pricing mechanism being used for each project; design and operate, design build operate and ownership, public private partnership, full turnkey, partial turnkey, management contracting, bottom up, top down, rolling, fixed fee, zero, activity.
Which of the following will you put into box 3?

	Contract	Pricing Mechanism
Project 1	1	6
Project 2	2	7
Project 3	3	8
Project 4	4	9
Project 5	5	10

A. design and operate
B. design build operate and ownership
C. public private partnership
D. full turnkey
E. partial turnkey
F. management contracting

Answer: F

Explanation:
I know what you're thinking- some of these options weren't covered in the study guide. And yes, you're correct. This particular question is based on a known exam question and CIPS do sometimes have questions in their exams which aren't explained in the book, or which are mentioned very briefly. I know it's frustrating and if you get a question like this that isn't covered well in the study guide, please do contact CIPS and complain. I've included this as a question in my practice papers because you may get a similar question in your exam and I want you to be prepared. The answers are as follows:
Types of contracts – this is from LO 1.1
1) Full Turnkey – mentioned briefly on p. 8 – a turnkey project is when the contractor assumes responsibility for the design and build and then hands over the key to the client when the construction is

done. Think about it as when the key gets turned in the front door for the first time- it's turned by the new owner after the contractor has finished all their work.
2) Design and Operate – XYZ are going to operate the building (providing the FM) for six years after the construction. This is not to be confused with design build operate and ownership. XYZ won't OWN the building after the construction, they'll just be operating the FM of it for a while on behalf of the client. DBOO is the answer to #5. (p.21)
3) Management Contracting- XYZ doesn't hold the design risk- that's your clue for this question (p.14)
4) Partial Turnkey- the clue here is that other companies are doing other parts of the construction. Partial turnkey isn't mentioned in the study guide at all. You have to kind of guess this one from the options left. Don't worry about this too much as you won't get complicated questions on turnkey projects but you can check out this youtube video as it may help: Turnkey Construction Projects Introduction - YouTube
5) Design Build Operate and Ownership. It's really tricky to know which of project 2 and 5 included the ownership, and you do have to 'read between the lines'. In project 2 XYZ are only providing the Facilities Management (cleaning, security etc) so it's clear they don't OWN the building after construction- they're just working there. In Project 5 the bridge is being operated for 6 years. This assumes that XYZ are doing everything for this bridge, including collecting the profits from the tolls for 6 years. Thus implying ownership.
Answer not used: Public Private Partnership. You can discount PPP quite easily as none of the projects mention the client being a public sector organisation.

Question: 5

XYZ is a large construction organisation which is currently running five different projects. Below are details of each project including the type of contract and pricing mechanism used.
Project 1: This project is to build an apartment block and the company has responsibility for designing and constructing the building. Upon completion, ownership will pass to the client. Management have decided the pricing based on past experience of similar projects.
Project 2: The company will provide the facilities management to the building for 6 years following the completion of the construction work. Due to volatility in the industry, the budget is changing continuously over the years.
Project 3: XYZ has been involved in the project since an early stage, but does not hold the design risk for the construction of the building. The budget starts afresh at the beginning of each new accounting period.
Project 4: XYZ is responsible for the design and build of certain aspects of the construction. However, the client has also employed another company for other aspects. The client will take ownership from all companies involved upon completion. XYZ is paid when milestones are completed during the building phase.
Project 5: This is the construction of a new toll bridge which will be operated by XYZ for the first 6 years post construction. Pricing is based on the costs of raw materials and labour and a profit is added on top of this.
Complete the table below by listing the type of contract and pricing mechanism being used for each project; design and operate, design build operate and ownership, public private partnership, full turnkey, partial turnkey, management contracting, bottom up, top down, rolling, fixed fee, zero, activity.
Which of the following will you put into box 4?

	Contract	Pricing Mechanism
Project 1	1	6
Project 2	2	7
Project 3	3	8
Project 4	4	9
Project 5	5	10

A. design and operate
B. design build operate and ownership
C. public private partnership
D. full turnkey
E. partial turnkey
F. management contracting

Answer: E

Explanation:
I know what you're thinking- some of these options weren't covered in the study guide. And yes, you're correct. This particular question is based on a known exam question and CIPS do sometimes have questions in their exams which aren't explained in the book, or which are mentioned very briefly. I know it's frustrating and if you get a question like this that isn't covered well in the study guide, please do contact CIPS and complain. I've included this as a question in my practice papers because you may get a similar question in your exam and I want you to be prepared. The answers are as follows:
Types of contracts – this is from LO 1.1
1) Full Turnkey – mentioned briefly on p. 8 – a turnkey project is when the contractor assumes responsibility for the design and build and then hands over the key to the client when the construction is done. Think about it as when the key gets turned in the front door for the first time- it's turned by the new owner after the contractor has finished all their work.
2) Design and Operate – XYZ are going to operate the building (providing the FM) for six years after the construction. This is not to be confused with design build operate and ownership. XYZ won't OWN the building after the construction, they'll just be operating the FM of it for a while on behalf of the client. DBOO is the answer to #5. (p.21)
3) Management Contracting- XYZ doesn't hold the design risk- that's your clue for this question (p.14)
4) Partial Turnkey- the clue here is that other companies are doing other parts of the construction. Partial turnkey isn't mentioned in the study guide at all. You have to kind of guess this one from the options left. Don't worry about this too much as you won't get complicated questions on turnkey projects but you can check out this youtube video as it may help: Turnkey Construction Projects Introduction - YouTube
5) Design Build Operate and Ownership. It's really tricky to know which of project 2 and 5 included the ownership, and you do have to 'read between the lines'. In project 2 XYZ are only providing the Facilities Management (cleaning, security etc) so it's clear they don't OWN the building after construction- they're just working there. In Project 5 the bridge is being operated for 6 years. This assumes that XYZ are doing everything for this bridge, including collecting the profits from the tolls for 6 years. Thus implying ownership.
Answer not used: Public Private Partnership. You can discount PPP quite easily as none of the projects mention the client being a public sector organisation.

Question: 6

XYZ is a large construction organisation which is currently running five different projects. Below are details of each project including the type of contract and pricing mechanism used.
Project 1: This project is to build an apartment block and the company has responsibility for designing and constructing the building. Upon completion, ownership will pass to the client. Management have decided the pricing based on past experience of similar projects.
Project 2: The company will provide the facilities management to the building for 6 years following the completion of the construction work. Due to volatility in the industry, the budget is changing continuously over the years.
Project 3: XYZ has been involved in the project since an early stage, but does not hold the design risk for the construction of the building. The budget starts afresh at the beginning of each new accounting period.
Project 4: XYZ is responsible for the design and build of certain aspects of the construction. However, the client has also employed another company for other aspects. The client will take ownership from all companies involved upon completion. XYZ is paid when milestones are completed during the building phase.
Project 5: This is the construction of a new toll bridge which will be operated by XYZ for the first 6 years post construction. Pricing is based on the costs of raw materials and labour and a profit is added on top of this.
Complete the table below by listing the type of contract and pricing mechanism being used for each project; design and operate, design build operate and ownership, public private partnership, full turnkey, partial turnkey, management contracting, bottom up, top down, rolling, fixed fee, zero, activity.
Which of the following will you put into box 5?

	Contract	Pricing Mechanism
Project 1	1	6
Project 2	2	7
Project 3	3	8
Project 4	4	9
Project 5	5	10

A. design and operate
B. design build operate and ownership
C. public private partnership
D. full turnkey
E. partial turnkey
F. management contracting

Answer: B

Explanation:
I know what you're thinking- some of these options weren't covered in the study guide. And yes, you're correct. This particular question is based on a known exam question and CIPS do sometimes have questions in their exams which aren't explained in the book, or which are mentioned very briefly. I know

it’s frustrating and if you get a question like this that isn’t covered well in the study guide, please do contact CIPS and complain. I’ve included this as a question in my practice papers because you may get a similar question in your exam and I want you to be prepared. The answers are as follows:
Types of contracts – this is from LO 1.1
1) Full Turnkey – mentioned briefly on p. 8 – a turnkey project is when the contractor assumes responsibility for the design and build and then hands over the key to the client when the construction is done. Think about it as when the key gets turned in the front door for the first time- it’s turned by the new owner after the contractor has finished all their work.
2) Design and Operate – XYZ are going to operate the building (providing the FM) for six years after the construction. This is not to be confused with design build operate and ownership. XYZ won’t OWN the building after the construction, they’ll just be operating the FM of it for a while on behalf of the client. DBOO is the answer to #5. (p.21)
3) Management Contracting- XYZ doesn’t hold the design risk- that’s your clue for this question (p.14)
4) Partial Turnkey- the clue here is that other companies are doing other parts of the construction. Partial turnkey isn’t mentioned in the study guide at all. You have to kind of guess this one from the options left. Don’t worry about this too much as you won’t get complicated questions on turnkey projects but you can check out this youtube video as it may help: Turnkey Construction Projects Introduction - YouTube
5) Design Build Operate and Ownership. It’s really tricky to know which of project 2 and 5 included the ownership, and you do have to ‘read between the lines’. In project 2 XYZ are only providing the Facilities Management (cleaning, security etc) so it’s clear they don’t OWN the building after construction- they’re just working there. In Project 5 the bridge is being operated for 6 years. This assumes that XYZ are doing everything for this bridge, including collecting the profits from the tolls for 6 years. Thus implying ownership.
Answer not used: Public Private Partnership. You can discount PPP quite easily as none of the projects mention the client being a public sector organisation.

Question: 7

XYZ is a large construction organisation which is currently running five different projects. Below are details of each project including the type of contract and pricing mechanism used.
Project 1: This project is to build an apartment block and the company has responsibility for designing and constructing the building. Upon completion, ownership will pass to the client. Management have decided the pricing based on past experience of similar projects.
Project 2: The company will provide the facilities management to the building for 6 years following the completion of the construction work. Due to volatility in the industry, the budget is changing continuously over the years.
Project 3: XYZ has been involved in the project since an early stage, but does not hold the design risk for the construction of the building. The budget starts afresh at the beginning of each new accounting period.
Project 4: XYZ is responsible for the design and build of certain aspects of the construction. However, the client has also employed another company for other aspects. The client will take ownership from all companies involved upon completion. XYZ is paid when milestones are completed during the building phase.

Project 5: This is the construction of a new toll bridge which will be operated by XYZ for the first 6 years post construction. Pricing is based on the costs of raw materials and labour and a profit is added on top of this.
Complete the table below by listing the type of contract and pricing mechanism being used for each project; design and operate, design build operate and ownership, public private partnership, full turnkey, partial turnkey, management contracting, bottom up, top down, rolling, fixed fee, zero, activity.
Which of the following will you put into box 6?

	Contract	Pricing Mechanism
Project 1	1	6
Project 2	2	7
Project 3	3	8
Project 4	4	9
Project 5	5	10

A. bottom up
B. top down
C. rolling
D. fixed fee
E. zero
F. activity

Answer: B

Explanation:
Budgeting- this isn't really covered well in the study guide but you will probably have seen some of these terms before in other modules. I've included links on the ones not covered well in the study guide for further reading if you need it.
6) Top-Down Budgeting – this is a method where senior management prepares a high-level budget based on past experienced and objectives then passes it down the chain for implementation. Top-Down Budgeting - Learn About the Top-Down Budgeting Process (corporatefinanceinstitute.com)
7) Rolling Budget- this is changing continuously Rolling Budgets: Definition, Purposes, Advantages, And Limitation - CFAJournal
8) Zero- Based Budgeting – this is when the financial statements start fresh each month/ quarter/ accounting period Zero-Based Budgeting Meaning - Example, Advantage, Steps (wallstreetmojo.com)
9) Activity Based Budgeting – the company gets paid based on milestones being completed. This is discussed in the textbook on p.59
10) Bottom up pricing – the price is worked out from the bottom (cost of materials and labour) then scaled up to include overheads and profit. This type of pricing mechanism is discussed in the textbook but is sometimes referred to as 'Prime Cost' modelling. Bottom-Up Pricing Meaning & Definition | MBA Skool
Answers not used: Fixed Fee should be discounted as no projects mention the price being set in stone from the beginning.
I appreciate that this was a hard drag and drop question. I wanted to start the practice papers off with the hardest question I know that can come up in the exam. Now you've done this, you should find the rest of the drag and drop questions easier, and your confidence will grow. Remember if you get a

question that isn't covered fully in the study-guide like the above, do mention it to CIPS. The more people that mention these things, the more likely CIPS are to listen.

Question: 8

XYZ is a large construction organisation which is currently running five different projects. Below are details of each project including the type of contract and pricing mechanism used.
Project 1: This project is to build an apartment block and the company has responsibility for designing and constructing the building. Upon completion, ownership will pass to the client. Management have decided the pricing based on past experience of similar projects.
Project 2: The company will provide the facilities management to the building for 6 years following the completion of the construction work. Due to volatility in the industry, the budget is changing continuously over the years.
Project 3: XYZ has been involved in the project since an early stage, but does not hold the design risk for the construction of the building. The budget starts afresh at the beginning of each new accounting period.
Project 4: XYZ is responsible for the design and build of certain aspects of the construction. However, the client has also employed another company for other aspects. The client will take ownership from all companies involved upon completion. XYZ is paid when milestones are completed during the building phase.
Project 5: This is the construction of a new toll bridge which will be operated by XYZ for the first 6 years post construction. Pricing is based on the costs of raw materials and labour and a profit is added on top of this.
Complete the table below by listing the type of contract and pricing mechanism being used for each project; design and operate, design build operate and ownership, public private partnership, full turnkey, partial turnkey, management contracting, bottom up, top down, rolling, fixed fee, zero, activity.
Which of the following will you put into box 7?

	Contract	Pricing Mechanism
Project 1	1	6
Project 2	2	7
Project 3	3	8
Project 4	4	9
Project 5	5	10

A. bottom up
B. top down
C. rolling
D. fixed fee
E. zero
F. activity

Answer: C

Explanation:

Budgeting- this isn't really covered well in the study guide but you will probably have seen some of these terms before in other modules. I've included links on the ones not covered well in the study guide for further reading if you need it.
6) Top-Down Budgeting – this is a method where senior management prepares a high-level budget based on past experienced and objectives then passes it down the chain for implementation. Top-Down Budgeting - Learn About the Top-Down Budgeting Process (corporatefinanceinstitute.com)
7) Rolling Budget- this is changing continuously Rolling Budgets: Definition, Purposes, Advantages, And Limitation - CFAJournal
8) Zero- Based Budgeting – this is when the financial statements start fresh each month/ quarter/ accounting period Zero-Based Budgeting Meaning - Example, Advantage, Steps (wallstreetmojo.com)
9) Activity Based Budgeting – the company gets paid based on milestones being completed. This is discussed in the textbook on p.59
10) Bottom up pricing – the price is worked out from the bottom (cost of materials and labour) then scaled up to include overheads and profit. This type of pricing mechanism is discussed in the textbook but is sometimes referred to as 'Prime Cost' modelling. Bottom-Up Pricing Meaning & Definition | MBA Skool
Answers not used: Fixed Fee should be discounted as no projects mention the price being set in stone from the beginning.
I appreciate that this was a hard drag and drop question. I wanted to start the practice papers off with the hardest question I know that can come up in the exam. Now you've done this, you should find the rest of the drag and drop questions easier, and your confidence will grow. Remember if you get a question that isn't covered fully in the study-guide like the above, do mention it to CIPS. The more people that mention these things, the more likely CIPS are to listen.

Question: 9

XYZ is a large construction organisation which is currently running five different projects. Below are details of each project including the type of contract and pricing mechanism used.
Project 1: This project is to build an apartment block and the company has responsibility for designing and constructing the building. Upon completion, ownership will pass to the client. Management have decided the pricing based on past experience of similar projects.
Project 2: The company will provide the facilities management to the building for 6 years following the completion of the construction work. Due to volatility in the industry, the budget is changing continuously over the years.
Project 3: XYZ has been involved in the project since an early stage, but does not hold the design risk for the construction of the building. The budget starts afresh at the beginning of each new accounting period.
Project 4: XYZ is responsible for the design and build of certain aspects of the construction. However, the client has also employed another company for other aspects. The client will take ownership from all companies involved upon completion. XYZ is paid when milestones are completed during the building phase.
Project 5: This is the construction of a new toll bridge which will be operated by XYZ for the first 6 years post construction. Pricing is based on the costs of raw materials and labour and a profit is added on top of this.

Complete the table below by listing the type of contract and pricing mechanism being used for each project; design and operate, design build operate and ownership, public private partnership, full turnkey, partial turnkey, management contracting, bottom up, top down, rolling, fixed fee, zero, activity. Which of the following will you put into box 8?

	Contract	Pricing Mechanism
Project 1	1	6
Project 2	2	7
Project 3	3	8
Project 4	4	9
Project 5	5	10

A. bottom up
B. top down
C. rolling
D. fixed fee
E. zero
F. activity

Answer: E

Explanation:
Budgeting- this isn't really covered well in the study guide but you will probably have seen some of these terms before in other modules. I've included links on the ones not covered well in the study guide for further reading if you need it.
6) Top-Down Budgeting – this is a method where senior management prepares a high-level budget based on past experienced and objectives then passes it down the chain for implementation. Top-Down Budgeting - Learn About the Top-Down Budgeting Process (corporatefinanceinstitute.com)
7) Rolling Budget- this is changing continuously Rolling Budgets: Definition, Purposes, Advantages, And Limitation - CFAJournal
8) Zero- Based Budgeting – this is when the financial statements start fresh each month/ quarter/ accounting period Zero-Based Budgeting Meaning - Example, Advantage, Steps (wallstreetmojo.com)
9) Activity Based Budgeting – the company gets paid based on milestones being completed. This is discussed in the textbook on p.59
10) Bottom up pricing – the price is worked out from the bottom (cost of materials and labour) then scaled up to include overheads and profit. This type of pricing mechanism is discussed in the textbook but is sometimes referred to as 'Prime Cost' modelling. Bottom-Up Pricing Meaning & Definition | MBA Skool
Answers not used: Fixed Fee should be discounted as no projects mention the price being set in stone from the beginning.
I appreciate that this was a hard drag and drop question. I wanted to start the practice papers off with the hardest question I know that can come up in the exam. Now you've done this, you should find the rest of the drag and drop questions easier, and your confidence will grow. Remember if you get a question that isn't covered fully in the study-guide like the above, do mention it to CIPS. The more people that mention these things, the more likely CIPS are to listen.

Question: 10

XYZ is a large construction organisation which is currently running five different projects. Below are details of each project including the type of contract and pricing mechanism used.
Project 1: This project is to build an apartment block and the company has responsibility for designing and constructing the building. Upon completion, ownership will pass to the client. Management have decided the pricing based on past experience of similar projects.
Project 2: The company will provide the facilities management to the building for 6 years following the completion of the construction work. Due to volatility in the industry, the budget is changing continuously over the years.
Project 3: XYZ has been involved in the project since an early stage, but does not hold the design risk for the construction of the building. The budget starts afresh at the beginning of each new accounting period.
Project 4: XYZ is responsible for the design and build of certain aspects of the construction. However, the client has also employed another company for other aspects. The client will take ownership from all companies involved upon completion. XYZ is paid when milestones are completed during the building phase.
Project 5: This is the construction of a new toll bridge which will be operated by XYZ for the first 6 years post construction. Pricing is based on the costs of raw materials and labour and a profit is added on top of this.
Complete the table below by listing the type of contract and pricing mechanism being used for each project; design and operate, design build operate and ownership, public private partnership, full turnkey, partial turnkey, management contracting, bottom up, top down, rolling, fixed fee, zero, activity.
Which of the following will you put into box 9?

	Contract	Pricing Mechanism
Project 1	1	6
Project 2	2	7
Project 3	3	8
Project 4	4	9
Project 5	5	10

A. bottom up
B. top down
C. rolling
D. fixed fee
E. zero
F. activity

Answer: F

Explanation:
Budgeting- this isn’t really covered well in the study guide but you will probably have seen some of these terms before in other modules. I’ve included links on the ones not covered well in the study guide for further reading if you need it.

6) Top-Down Budgeting – this is a method where senior management prepares a high-level budget based on past experienced and objectives then passes it down the chain for implementation. Top-Down Budgeting - Learn About the Top-Down Budgeting Process (corporatefinanceinstitute.com)
7) Rolling Budget- this is changing continuously Rolling Budgets: Definition, Purposes, Advantages, And Limitation - CFAJournal
8) Zero- Based Budgeting – this is when the financial statements start fresh each month/ quarter/ accounting period Zero-Based Budgeting Meaning - Example, Advantage, Steps (wallstreetmojo.com)
9) Activity Based Budgeting – the company gets paid based on milestones being completed. This is discussed in the textbook on p.59
10) Bottom up pricing – the price is worked out from the bottom (cost of materials and labour) then scaled up to include overheads and profit. This type of pricing mechanism is discussed in the textbook but is sometimes referred to as 'Prime Cost' modelling. Bottom-Up Pricing Meaning & Definition | MBA Skool
Answers not used: Fixed Fee should be discounted as no projects mention the price being set in stone from the beginning.
I appreciate that this was a hard drag and drop question. I wanted to start the practice papers off with the hardest question I know that can come up in the exam. Now you've done this, you should find the rest of the drag and drop questions easier, and your confidence will grow. Remember if you get a question that isn't covered fully in the study-guide like the above, do mention it to CIPS. The more people that mention these things, the more likely CIPS are to listen.

Question: 11

XYZ is a large construction organisation which is currently running five different projects. Below are details of each project including the type of contract and pricing mechanism used.
Project 1: This project is to build an apartment block and the company has responsibility for designing and constructing the building. Upon completion, ownership will pass to the client. Management have decided the pricing based on past experience of similar projects.
Project 2: The company will provide the facilities management to the building for 6 years following the completion of the construction work. Due to volatility in the industry, the budget is changing continuously over the years.
Project 3: XYZ has been involved in the project since an early stage, but does not hold the design risk for the construction of the building. The budget starts afresh at the beginning of each new accounting period.
Project 4: XYZ is responsible for the design and build of certain aspects of the construction. However, the client has also employed another company for other aspects. The client will take ownership from all companies involved upon completion. XYZ is paid when milestones are completed during the building phase.
Project 5: This is the construction of a new toll bridge which will be operated by XYZ for the first 6 years post construction. Pricing is based on the costs of raw materials and labour and a profit is added on top of this.
Complete the table below by listing the type of contract and pricing mechanism being used for each project; design and operate, design build operate and ownership, public private partnership, full turnkey, partial turnkey, management contracting, bottom up, top down, rolling, fixed fee, zero, activity.
Which of the following will you put into box 10?

A. bottom up
B. top down
C. rolling
D. fixed fee
E. zero
F. activity

Answer: A

Explanation:
Budgeting- this isn't really covered well in the study guide but you will probably have seen some of these terms before in other modules. I've included links on the ones not covered well in the study guide for further reading if you need it.
6) Top-Down Budgeting – this is a method where senior management prepares a high-level budget based on past experienced and objectives then passes it down the chain for implementation. Top-Down Budgeting - Learn About the Top-Down Budgeting Process (corporatefinanceinstitute.com)
7) Rolling Budget- this is changing continuously Rolling Budgets: Definition, Purposes, Advantages, And Limitation - CFAJournal
8) Zero- Based Budgeting – this is when the financial statements start fresh each month/ quarter/ accounting period Zero-Based Budgeting Meaning - Example, Advantage, Steps (wallstreetmojo.com)
9) Activity Based Budgeting – the company gets paid based on milestones being completed. This is discussed in the textbook on p.59
10) Bottom up pricing – the price is worked out from the bottom (cost of materials and labour) then scaled up to include overheads and profit. This type of pricing mechanism is discussed in the textbook but is sometimes referred to as 'Prime Cost' modelling. Bottom-Up Pricing Meaning & Definition | MBA Skool
Answers not used: Fixed Fee should be discounted as no projects mention the price being set in stone from the beginning.
I appreciate that this was a hard drag and drop question. I wanted to start the practice papers off with the hardest question I know that can come up in the exam. Now you've done this, you should find the rest of the drag and drop questions easier, and your confidence will grow. Remember if you get a question that isn't covered fully in the study-guide like the above, do mention it to CIPS. The more people that mention these things, the more likely CIPS are to listen.

Question: 12

Below are descriptions of five companies located in the UK:
Company 1: This company has a highly centred authority around the founder. The culture is characterised by strict financial systems and a reward/ bonus scheme for meeting targets.
Company 2: People who work here see themselves as individuals and often bring in their own clients. There is strong branding and corporate identity including the use of a strict colour palette.
Company 3: A person's salary and job title is decided by a strict hierarchy structure. The organisation is often described as bureaucratic and has stringent rules about who can do what.
Company 4: Employees often work individually or in small teams to complete projects as they arise. There is a strong emphasis on Monday Morning Meetings where each person/ team will describe what they are working on for the upcoming week.

Company 5: Authority is held by a small group of senior people who make all the decisions. There are few rules, and culture is reinforced by people talking about past successes.
For each company, select the type of culture at each as well as the most relevant cultural web influence. Note some answers may be used twice. Power (x2), Role (x2), Person, Task, Symbols, Organisation Structure, Control System, Stories, Ritual, Power Structure.
Which of the following will you put into box 1?

	Type of Culture	Cultural Web Influence
Company 1	1	6
Company 2	2	7
Company 3	3	8
Company 4	4	9
Company 5	5	10

A. Power
B. Role
C. Person
D. Task

Answer: A

Explanation:
The correct answers are as follows:

	Type of Culture (LO 3.1)	Cultural Web Influence (LO 3.1)
Company 1	1 Power – centred around the founder (remember the spider web analysis- the founder would be at the centre of the web)	6 Control System – there are strict systems in place including rewards/ bonus systems
Company 2	2 Person – people see themselves as individuals and do their own thing (like a constellation of stars)	7 Symbols – branding, identity, colour scheme
Company 3	3 Role- company has a hierarchy structure (like a temple with columns) where job title is important	8 Organisation Structure – described as bureaucratic, strict guidance as to who can do what
Company 4	4 Task- the focus is on completing projects	9 Rituals- Monday Morning Meetings is an example of a ritual as it is done each week and seen as important
Company 5	5 Power – authority held by small group of individuals (note in a power structure it doesn't have to be ONE person with the power, it can be a group of people)	10 Stories – people talk about past successes.

Options not used: Role (for the second time) and Power Structure- this part of the cultural web talks about who influences decisions, which isn't mentioned in any of the scenarios.